

**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JEFFERSON COUNTY SHERIFF

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Jefferson County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the metro government fund and paid quarterly to the metro government. These funds are closed at the end of each four-year term by paying the balances to the metro government.

The Jefferson County Sheriff had total receipts of \$25,495,891, which was a \$372,246 decrease from the prior year. Except for reimbursed expenses in the amount of \$10,129,975, which includes metro government contributions of \$376,877, the sheriff paid 25% of receipts to the Louisville/Jefferson Metro Government in the amount of \$3,837,310. This was an increase of \$98,188 from the prior year. In addition, operating expenditures increased by \$2,010,383.

Lease Agreements:

The Sheriff's office is responsible for the following leases:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Term of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance December 31, 2008</u>
Five Copy Machines	\$ 814	48 Months	4/10/2010	\$ 15,408
Copy Machine	504	29 Months	8/5/2010	10,583

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS.....	3
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES OF THE SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS	5
NOTES TO THE FINANCIAL STATEMENTS.....	7
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable John E. Aubrey, Jefferson County Sheriff
Members of the Louisville/Jefferson County Metro Council

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Jefferson County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2008. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 14, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable John E. Aubrey, Jefferson County Sheriff
Members of the Louisville/Jefferson County Metro Council

This report is intended solely for the information and use of the Sheriff and members of the Louisville/Jefferson County Metro Council, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

July 14, 2009

JEFFERSON COUNTY
JOHN E. AUBREY, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

Federal Grant		\$	31,285	*
State Fees for Services				
Attending Courts	\$	1,934,148	*	
Conveyance of Prisoners		92,219	*	
Sequestered Jurors		15,293	*	
KLEFPF		926,321	*	
Court Security		628,696	*	3,596,677
Metro Government				376,877 *
County Clerk				16,832
Commission on Taxes		9,615,491		
Commission on Taxes (Reimbursed)		5,340,132	*	14,955,623
Fees Collected for Services:				
Auto Inspections		270,545		
Serving Papers		2,264,443		
Serving Papers (Reimbursed)		1,603	*	
Executions		15,926		
Executions (Reimbursed)		359,395	*	
Concealed Weapon License Fees		70,248		
Sheriff's Advertising Fees		59,590		3,041,750
Other Revenues:				
10% Add On Fee		2,694,158		
Reimbursements		319,541	*	
DEA & FBI Reimbursements		104,465	*	
Interest Earned		358,683		3,476,847
Total Revenues				25,495,891

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
 JOHN E. AUBREY, SHERIFF
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Expenditures

Payments to State:

Reimbursements		\$	316,697
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Other Expenditures:

Executions-Third Parties	\$	357,765	
Serving Papers-Refunds		1,604	
Sequestered Jurors		15,293	
Cobra Insurance		63,241	
County Fee Adjustment		462	
			<u>438,365</u>

Total Expenditures			<u>755,062</u>
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Net Revenues			24,740,829
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Payments to State Treasurer:

75% Operating Fund		20,903,519	
25% County Fund		3,837,310	
			<u>24,740,829</u>

Balance Due at Completion of Audit		\$	<u><u>0</u></u>
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* Includes reimbursed expenses in the amount of \$10,129,975 for the audit period. See Note 1 of Notes to Financial Statements.

JEFFERSON COUNTY
JOHN E. AUBREY, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2008

	75% Operating Fund	25% Metro Fund	Totals
Fund Balance - January 1, 2008	\$ 600,905	\$ 1,224,906	\$ 1,825,811
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	20,903,519		20,903,519
Fees Paid to State - Metro Funds (25%)		3,837,310	3,837,310
Total Funds Available	21,504,424	5,062,216	26,566,640
<u>Expenditures</u>			
Louisville Metro		3,618,727	3,618,727
Personnel Services-			
Officials Statutory Maximum	105,744		105,744
Officials Incentive Training Pay	3,525		3,525
Deputies' Salaries	11,790,552		11,790,552
Sick Leave Conversion	37,198		37,198
Overtime Gross	514,263		514,263
Employee Benefits-			
Employer's Share Social Security	883,904		883,904
Employer's Share Retirement	3,626,905		3,626,905
Employer's Paid Health Insurance	1,788,341		1,788,341
Employer's Paid Life	6,380		6,380
Unemployment Compensation Insurance	10,790		10,790
Workers Compensation Insurance	195,908		195,908
Contracted Services-			
Advertising	1,357		1,357
Legal Services	29,982		29,982
MIS Services	24,781		24,781
Materials and Supplies-			
Office Materials and Supplies	68,887		68,887
Printing	64,863		64,863
Uniforms	75,610		75,610
Ammunition	26,679		26,679
Computer Supplies	11,943		11,943
Other Charges-			
Bonds and Insurance	429,386		429,386

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
 JOHN E. AUBREY, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

	75% Operating Fund	25% Metro Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges-(Continued)			
Dues	\$ 19,630	\$	\$ 19,630
Discretionary Account Expense	35,000		35,000
Postage	181,221		181,221
Fixed Telephone	54,720		54,720
Mobile Telephone	33,810		33,810
Radio Charges	16,019		16,019
Communication Maintenance	24,578		24,578
Equipment Maintenance	8,551		8,551
Computer Maintenance	3,176		3,176
Office Equipment Rental	13,664		13,664
Other Equipment Rental	574		574
Rent	19,200		19,200
Utilities	8,551		8,551
Training	45,605		45,605
Travel	87,992		87,992
Subscriptions	8,576		8,576
Physical and Medical	10,664		10,664
Miscellaneous	5,208		5,208
Auto Expenses-			
Gasoline	454,861		454,861
Insurance Claims	2,323		2,323
Maintenance and Repairs	244,584		244,584
Vehicle Insurance	136,415		136,415
Parking	114,887		114,887
Capital Outlay-			
Office Equipment	33,678		33,678
Computers	9,073		9,073
Communication Equipment	2,757		2,757
Law Enforcement Equipment	100,766		100,766
Vehicles	479,795		479,795
Total Expenditures	21,852,876	3,618,727	25,471,603
Fund Balance - December 31, 2008	\$ (348,452)	\$ 1,443,489	\$ 1,095,037

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent for the first six months and 29.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Jefferson County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Jefferson County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
(Continued)

Note 4. Leases

Commitments to the following lease agreements as of December 31, 2008 were:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2008
Five Copy Machines	\$ 814	48 Months	4/10/2010	\$ 15,408
Copy Machine	504	29 Months	8/5/2010	10,583

Note 5. Violence Against Woman Act (VAWA) Grant

The Sheriff was awarded violence against women investigator/intake center grant from the Kentucky Justice and Public Safety Cabinet. Federal funds in the amount of \$31,285, and matching funds in the amount of \$48,182 were expended.

Note 6. Discretionary Account

The Sheriff has established a discretionary account as provided by KRS 64.345. This fund is to cover additional expenses related to homeland security emergencies, academy graduations, retirements, state and national sheriff's conventions, and extraordinary office expenses in amounts authorized by the approving authority. The account had a beginning balance of \$26,664, receipts of \$35,000, expenditures of \$16,497 and an ending balance of \$45,167 as of December 31, 2008.

Note 7. State Forfeiture Account

The Sheriff has an account, which is used for receiving forfeited state drug money. This money is used to purchase law enforcement equipment. This account had a beginning balance of \$3,163, revenues of \$35,221, and expenditures of \$629 and an ending balance of \$37,755 as of December 31, 2008.

Note 8. Federal Forfeiture Account

The Sheriff has an account, which is used for receiving forfeited federal drug money. This money is used to purchase law enforcement equipment, for training, for drug education programs, and to make drug buys. This account had a beginning balance of \$323,010, revenues of \$641,219, expenditures of \$211,315, and an ending balance of \$752,914 as of December 31, 2008.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable John E. Aubrey, Jefferson County Sheriff
Members of the Louisville/Jefferson County Metro Council

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements - regulatory basis of the Jefferson County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated July 14, 2009. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County Sheriff's financial statements as of December 31, 2008, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Louisville/Jefferson County Metro Council, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

July 14, 2009

